



Talk About Saving Money™

How to Save on Food, Utilities,
Car Expenses, Mortgage, and Health Care

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Talk About Saving Money: How to Save on Food, Utilities, Car Expenses, Mortgage, and Health Care

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INTRODUCTION

This book explains how to save money on the largest monthly expenses you have: food, utilities, car expenses, your home mortgage, and health care.

If you like these ideas, then you'll love the website TalkAboutSavingMoney.com, which provides smart ideas to make your money go further, from entertainment to food, and gadgets to travel. Don't pay full price for anything!

Throughout the book, you'll see the names of some companies and products underlined. In digital copies of the book, these underlined words are links that take you directly to a website for that company or product and sometimes give you extra discounts. We've converted long web addresses to short codes to reduce typing, but you have to type them exactly with upper and lower case. But since you've purchased a copy of this book, you can get a *free electronic version* in various formats where you can just click on the links. To get your free copy, just go to TalkAboutSavingMoney.com/ebook.

This short introduction gives a quick overview of the book so you will know what's in it. Then we'll get into the details about how to manage and reduce your expenses.

We're not going to ramble. We know your time is valuable, so we'll get right to the point in as few words as possible.

CHAPTER 1: FOOD

The first chapter explains how to buy quantities of food and other necessities when they are on sale, and store them to use over several months. Eventually, you'll have a whole room full of items that were purchased on sale—food, health and beauty aids, storage bags, cleaning supplies, and even toilet paper. When you need food or household items, you get them from your storage room rather than going to the store and paying full retail prices. We explain how to do it without a big cash expense and without a lot of hassle. It may take a little time, but before you know it, you'll be there.

CHAPTER 2: UTILITIES

Many people assume that their monthly utility bills are a fixed expense. But there really are things you can do to reduce these expenses. This chapter gives many easy but effective ideas that can drastically reduce your energy consumption and save money on your utility bills for electricity, heating, cooling, water, telephone, mobile phone, cable TV, and Internet.

CHAPTER 3: CAR EXPENSES

Having a car means monthly expenses for gas, maintenance, repairs, insurance, and loan payments. This chapter provides ideas on how to reduce these expenses. It reviews strategies on how to save up for your next car to avoid having to make car payments. It then suggests ways to save on the purchase of gasoline by using discounts, websites, and mobile applications to find the best prices.

Since maintenance and repairs can be costly, the chapter provides suggestions on regular maintenance to reduce needed repairs, and how to shop around to get the best deals on repairs when you need them. It also provides ideas on how to get the best rates on car insurance by selecting the right level of deductibles and other coverage, taking advantage of discounts, and paying the premiums in the right intervals.

CHAPTER 4: HOME MORTGAGE

Your home mortgage is likely the single largest monthly expense you have. But most people sign their mortgage without a whole lot of understanding or comparison shopping. Then once it's signed, they feel consigned to paying it off over the course of 30 or so years without another thought. This chapter discusses ways to (1) pay off your mortgage in a shorter amount of time, (2) reduce your monthly payment by eliminating mortgage insurance premiums, or (3) refinance at a lower rate.

CHAPTER 5: HEALTH CARE

The fifth chapter provides ideas on how to find the right health insurance plan; how to manage your doctor, dentist, and hospital; and how to get the best prices on prescriptions, eye glasses, and contact lenses. In this economy, you need to take control over your family's medical bills.

So much for the summary. Now let's get into the details about each of these topics.

CHAPTER 1

FOOD

This chapter explains how to buy quantities of food and other necessities when they are on sale, and store them to use over several months. Eventually, you'll have a whole room full of items that were purchased on sale— food, health and beauty aids, storage bags, cleaning supplies, and even toilet paper. When you need food or household items, you get them from your storage room rather than going to the store and paying full retail prices.

What should I buy?

Buy items that you normally use—but only buy them when they are on sale. Granted, there are some items that rarely go on sale, but most items will be on sale occasionally, so take advantage when they are on sale and buy as much as you can to put in your storage room.

Buy items in bulk. When you purchase larger amounts of a given item, you may be able to pay less per ounce if you purchase in larger cans, bottles, or boxes. Compare costs carefully, however, because the larger containers are not always a lower per unit price than smaller containers— especially if the smaller container is on sale and the larger container is not.

Don't buy brands or flavors of items that your family doesn't like, even if they are at good sale prices. If the food

sits on your shelf until it goes bad, and then you throw it away, you wasted money rather than saved money. When items are part of your family's normal diet, then it is easy to rotate them on a regular basis.

You hear of people building a food storage supply with hundreds of pounds of wheat, sugar, beans, and powdered milk. These items keep well for a long time, and they are food staples that you could use to feed your family. However, only buy these items if you use them regularly and purchase them in quantities that make sense. Remember, the reason for building up this storage is so that you will have a supply of all the items you normally buy—so you can go to your store room to get the item (purchased at sale prices) rather than go to the store (and pay retail).

How much should I buy?

When you find a good sale on an item that you normally use, buy as many of the item as you can afford, but don't go to extremes or go into debt to make the purchase. This may mean that you can only afford to buy a few extra items at first, but as time goes on, you'll be able to afford buying more because your overall food bill will be lower (because you're only buying sale items).

Here are two rules of thumb:

1. *Buy enough to last until you expect the item to be on sale again.* The goal is to have a large enough supply of items on hand so that you always go to

your storage room for things rather than go to the store. Eventually, shopping trips to the store will be to purchase whatever items are on sale that week, and not for single items that you happen to need. You won't be able to meet that goal 100%, of course, but that's the objective.

2. *Don't buy more of a specific item than you can use before the expiration date.* If lunch meat is on sale, buy only enough to last until the expiration date. However, since most canned and boxed goods will last several years, you could buy a quantity to last several months or even years.

Gradually build up your home storage. Before each grocery shopping trip, review your storage room to see which items you could stock up on. Then, buy more of those items *if they are on sale*. If they aren't on sale, wait to buy more until they are on sale.

Share your strategy with your family and friends. That way, they can let you know when they find great sales—and you can tell them when you find great sales. That way, you all benefit. It can be more fun when you participate together.

Some people may not have the financial resources or space for such storage. In some countries, people may be prohibited by law from storing large amounts of food. But store as much as you can and build up at whatever rate your finances will allow. Even if all you can buy are a few

extra cans of food a week, in a few months you'll be in a better position than you are today.

How do I store the items I buy?

It's best if you can devote a small room to store the items you buy. That way, it's easy to see how much you have of each item. However, some people have limited space and will have to find creative ways to store items under beds and in various closets in the house.

Food and other items last longer if the room is dry, dark, and cool (50 to 70 degrees Fahrenheit). Therefore, shut the heat vent in the room in the winter, and cool the room in the summer.

The Basics of Food Storage

Three-Month Supply

Start with the goal of building a three-month supply of food, health and beauty aids, storage bags, cleaning supplies, toilet paper, and everything else you regularly buy at the store. One way to do this is to purchase a few extra items each week to build a one-week supply of food. Then you can gradually increase your supply until it is sufficient for three months.

You may want to budget a set amount of money each week that you can spend to build your supply. However, if you don't find good sales during the week, save the money for the following week until you find a great sale.

Longer-Term Supply

After you have a three-month supply of all your every-day necessities, you can gradually build a supply for longer-term needs. Food staples, such as wheat, rice, and beans can be purchased in bulk for a very reasonable price and can be rotated into your three-month supply. If you buy wheat, be sure you have a way to grind it into flour. If you buy flour, put it in the freezer for 48 hours to kill weevil eggs. Then it should stay fresh in your pantry for 7-8 months. Freezing also kills eggs in other dry grains and beans.

Research shows that these common longer-term food storage items remain nutritious and edible for a very long time if they are properly packaged and stored at or below room temperature. Here is the estimated shelf life for common staples:

- Wheat: 30+ years
- White Rice: 30+ years
- Corn: 30+ years
- Pinto Beans: 30 years
- Dried Apple Slices: 30 years
- Macaroni: 30 years
- Rolled Oats: 30 years
- Potato Flakes: 30 years
- Powdered Milk: 20 years

Some communities have home storage centers that can help you package food products for longer-term home storage. For example, you can buy large quantities of beans, wheat, and rice and then package them in #10 cans

or foil pouches. Some centers even have portable can seamers and pouch sealers that you can check out if you wish to package food at home. The Church of Jesus Christ of Latter-day Saints (the “Mormons”) are famous for their home storage centers that they make available to the community, whether you are a member of their church or not. Check with one of their local congregations or [look online](#) to see if there is a center near you.

Another commodity that people often forget to store is drinking water in case your local water supply becomes polluted or disrupted. In addition to needing water to drink, you’ll need water to prepare all the food you have stored.

If your local water is from a good, pretreated source, then no additional purification is needed to store it. Otherwise, pretreat the water before you store it. Store water in sturdy, leak-proof, breakage-resistant containers. Consider using plastic bottles commonly used for juice and soda that you have emptied and rinsed. Don’t use plastic milk jugs, as they cannot be cleaned sufficiently to store water safely. Keep water containers away from heat sources and direct sunlight.

Rotation

Always rotate the items you buy so you’re using the older items first. Put the newer items in the back so you use items on a first-in-first-out basis. For water and other items without dates, be sure to write a date on the

container so you know when it's time to replace it. Buying bottled water for drinking is a good idea.

Expiration Dates

There are two kinds of expiration dates on food, which refer to the *quality* of the food, and not necessarily the *safety* of the food.

- *Sell By*: This date tells the store how long to display the product for sale. This is a guide for the retailer to know when to pull it from the shelves. It represents the last day the food is at its peak quality of freshness, taste, and consistency. It is still safe to eat after this date. Milk will usually go bad about a week after the Sell By date, while eggs are okay for 3-5 weeks after the date. Poultry and seafood should be cooked or frozen within a day or two. Cook or freeze beef or pork within 3-5 days.
- *Use By or Best If Used By*: This date refers to when the quality of the item starts to go downhill. It is still safe to eat after this date, but in some cases, you may notice a difference in taste or consistency after that date. For example, sour cream may become a little more sour or peanut butter may begin to separate in the jar.

Below is a table with the USDA's recommendations. See the [USDA website](#) for more foods:

| Refrigerator Storage of Fresh or Uncooked Products | |
|---|-------------------------------------|
| Product | Storage Times After Purchase |
| Poultry | 1-2 days |
| Beef, Veal, Pork, Lamb | 3-5 days |
| Ground Meat and Ground Poultry | 1-2 days |
| Cured Ham, Cook-Before-Eating | 5-7 days |
| Sausage from Pork, Beef or Turkey, Uncooked | 1-2 days |
| Eggs | 3-5 weeks |

Once a perishable product is frozen, it doesn't matter if the date expires because foods kept frozen continuously are safe indefinitely, although they may get freezer burned after a time.

Canned foods:

- Highly acidic foods (like tomato sauce) can be keep 18 months or more.
- Low-acid foods (like canned green beans) are probably risk-free for up to five years.
- Bulging cans are a sign of bacteria growth and should be discarded, no matter what the expiration date.

Bread: Safe to eat until any mold appears. Even if one piece of bread develops mold, throw out the entire package because the mold spores will have spread to the entire loaf.

Cheese: With age, cheeses become sharper, but the food value and safety is not compromised. If mold grows on shredded cheese and soft cheeses (such as cottage cheese and cream cheese), they should be discarded. However, mold generally can't penetrate far into hard and semisoft cheeses, such as Cheddar, Colby and Swiss, so you can cut off at least one inch around and below the moldy spot and eat the rest of the cheese.

Medicines and vitamins: After the expiration date, some decrease in potency and some become more potent. So it's safest to discard them.

Bottled water: The FDA considers bottled water to have an indefinite shelf life if it's produced in accordance with regulations and remains unopened. Expiration dates are voluntary and may reflect concerns about taste and odor rather than safety. Store bottled water in a cool location away from direct sunlight.

These websites have additional information on expiration dates: [WebMD](#) and [USDA](#).

Being Prepared

All the strategies covered in this book are prudent from the perspective of saving money. But there is another reason it is prudent to prepare yourself with a basic supply of food, other necessities, and money—in case of an emergency or a change in life situation.

Emergencies or Life Changes

When I say “emergency,” you’re probably thinking of a hurricane, earthquake, or other natural disaster. Maybe you’re thinking of the possibility of a terrorist strike or civil unrest. For such possibilities, it is important to have a supply of food, water, clothing, fuel, and some cash on hand. These supplies will take care of your family until commodities and services become available again.

But another reason to prepare is for unexpected expenses or an unexpected reduction in your income, such as losing your job, having reduced work hours, or becoming sick or having an accident that prevents you from working. In these cases, you will be grateful you have a basic supply of food and other necessities to last until you are able to work again or have the unexpected expenses paid off.

Build an Emergency Fund

To provide for your family in case of a disruption in your income, a common rule of thumb is to have an emergency fund that could cover all your expenses for three to six months. Begin by saving a little money each week and gradually increase it to a reasonable amount. Plan as part of your family budget a percentage of your income to deposit into a savings account.

Whenever you happen to receive extra income, put the money in savings rather than using it to buy furniture, electronics, or other less necessary items. It takes objective thinking to separate wants from needs.

Determine if items are essential or simply nice to have. For more ideas on building an emergency fund, see TalkAboutSavingMoney.com.

Today's society is becoming nearly cashless. It's possible to conduct nearly every financial transaction electronically. However, it is important to keep some cash on hand for emergencies. If the electricity is out, stores will not be able to charge a bank card and you'll be glad you have some cash.

There is also the possibility of widespread problems with our financial systems. A terrorist attack or a technical malfunction could make your bank funds unavailable for some time. If someone stole your identity—and the money from your bank account—you could be without funds until the problem is resolved, which could take weeks or months. For any of these reasons, it is prudent to keep a supply of cash at home that could cover your needs for a short time. Smaller bills would be more helpful than larger bills in an emergency to buy things such as food and water because stores or neighbors may not have enough cash to make change.

These are important reasons beyond the money-saving strategies that are the focus of this book. With careful planning, you can, over time, establish a home storage supply and a financial reserve.

For more ideas on saving money on food costs, see TalkAboutSavingMoney.com.

CHAPTER 2

UTILITIES

Many people assume that their monthly utility bills are a fixed expense. But there really are things you can do to reduce these expenses. This chapter gives ideas on how to do it.

Saving money on energy output, water usage, and heating/cooling costs doesn't have to be difficult or time consuming. There are many small but effective changes that can drastically reduce your energy consumption and save money on your utility bills.

Electricity

- Compact fluorescent (CFL) bulbs use 65-75% less energy than standard incandescent bulbs and last 10 times longer (7-11 years). They also produce less heat, reducing your air conditioner's load in the summer. However, some people don't like the fact that CFLs take a few seconds to reach full brightness. Also, most are not made for lights that have a dimmer switch or a light sensor that automatically turns on and off. Look for bulbs that say "dimmable" for these uses. CFLs contain mercury, so if they break, follow the clean-up instructions carefully. Cost: \$1.25 to \$10.

- Light-emitting diode (LED) bulbs are a good alternative to CFLs. They also use 75% less energy than incandescent bulbs and they last 23-46 years. They brighten instantly and turning them on and off frequently doesn't affect performance. They also don't use mercury like CFLs do. LED bulbs can be dimmed and used with timers and motion or light sensors. The drawback is that they are more expensive than CFLs, running from \$25 to \$60 per bulb. Nevertheless, a \$25 LED will save you about \$130 over its 23-year life, compared with an incandescent. Prices for a 60-watt bulb are expected to drop to about \$10 by 2014 or 2015. So, in the meantime, a CFL is the less expensive option, unless the advantages of the LED mentioned above are worth the difference to you in price. Look online for manufacturer coupons and utility rebates to save \$10-20 per bulb. See [Consumer Reports ratings of light bulbs](#) to choose the best ones.
- Unplug it. Many electronics and appliances such as DVD players, TVs, computers, and kitchen appliances continue to use small amounts of power ("vampire power") even when they are turned off. In fact, Energy Star estimates that 75% of the electricity in the average home is consumed while the products are turned off. If left plugged in, a video game console in idle mode will use \$75 a year in power. A digital cable or satellite box will use \$25 a year when the TV is turned off. A combo DVD/VCR player will use \$13 a year if left on but not in use. A cordless

power tool and charger will use \$8 a year even when fully charged. Therefore, use smart power strips to cut power to electronics when not needed. For example, the Belkin Conserve Smart AV Outlet automatically cuts power to DVD players, gaming consoles, and surround sound systems when the TV is turned off, but leaves power on for devices like digital recorders and DVRs.

- Clean up. Dirt behind your fridge, in your dryer lint catcher, and around your air conditioner coils will increase the energy it takes for them to do their job. Twice a year, clean coils and clean the dryer vent.
- Buy energy-efficient appliances. Modern energy-efficient appliances, such as refrigerators, freezers, ovens, stoves, dishwashers, and clothes washers and dryers, use significantly less energy than older appliances. Current energy efficient refrigerators, for example, use 40% less energy than conventional models did in 2001.
- Avoid using appliances during the daytime, when many utility companies charge a higher rate for electricity.
- Keep your refrigerator stocked. The fuller your fridge is, the better the temperature will stay regulated each time you open and close the door. The items inside retain the cold (much like pizza stones in ovens) and help radiate the already-refrigerated food, which brings the normal temperature of the fridge back quickly after the door is closed, thereby

helping to lower your energy consumption and minimize your utility bills.

Heating/Cooling

- Contact your utility company to see if they will perform a free assessment of your house and recommend ways to reduce your utility bills.
- Make sure you have adequate weather-stripping around doors and windows. Insulate outlets and light switches. If you have an older water heater, you can save 4-9% on your water heating costs simply by insulating it.
- Increase the insulation in the attic, including the attic access door. Some government programs will reimburse you for the cost of the added insulation if your house didn't have sufficient or if it was built before a given year.
- Adjust the temperature. You can save money by setting the temperature to 78 degrees Fahrenheit in the summer and 68 degrees Fahrenheit in the winter. If 78 degrees feels too hot in the summer, use a ceiling fan to create a wind chill effect. You can also get a programmable thermostat to automatically adjust the temperature while you are at work and turn it back to a comfortable temperature when you return home. A programmable thermostat could save 10% off your utility bill
- On warm days, use overhead fans rather than just the air conditioner. Fans use about the same energy

as a 100-watt light bulb. Keep curtains closed on windows with direct sun.

- Install an energy-efficient furnace or air conditioner. You may be surprised how quickly it can pay for itself in reduced utility bills. Check for government programs that may reimburse part of the cost.
- Replace or clean air conditioning and heating filters monthly. Dirty filters cause heating and cooling system to work harder and use more energy. Air filters are designed with a certain “air flow direction,” so read the instructions for correct installation.
- Make sure the flue in your fireplace is shut when not using it. Lots of warm air can escape up the chimney.
- Plant trees or shrubs to shade your house on the sunny side.

Water

- Run the washer and dishwasher only when full. Running half loads wastes energy, soap, and hot water. Washing clothes in cold water can save significant amounts of hot water.
- Repair leaks. Reduce water use—and hot water use—by repairing leaks in faucets, showerheads, and pipes.
- Slow the flow. A regular showerhead puts out 4-5 gallons of water per minute, but a low-flow showerhead only puts out 1.5. This helps conserve water, saves money on your water bill, and saves on heating the extra water. Install aerator screens on

your faucets. They increase the apparent power of the water stream without using as much water.

- Set your water heater at 120 degrees Fahrenheit. It also slows mineral build-up and corrosion in the water heater and pipes, which helps your water heater last longer and operate more efficiently.
- Consider your toilet as a large consumer of water. If you have an older toilet model, you can convert it into a low flush toilet with a simple trick. Just fill a half gallon container (like a milk or juice carton) with a mixture of water, pebbles, and sand. Carefully place the container into the tank of the toilet to displace the water. Replace the lid and flush normally. An average family that flushes 5 times a day will save 350 gallons of water every month!

Telephone/Mobile Phone

- Monitor your mobile monthly minutes used, texts sent, and data usage. Going over the monthly allotment on your plan can cost you big money. Check your usage before the month is up to be sure you won't go over. Some companies will provide you an automatic alert before you hit the limit, or use OverMyMinutes.com (a free service). If you need to use more than your allotment, call the company and switch to another plan before your billing closing date. If you have a high usage, an unlimited plan may be right for you.
- Consider a contract-free plan. Companies may lure you with a free or discounted phone, but require you

to sign a two-year contract. Compare the total two-year cost with a contract-free plan where you pay the full cost of the phone. Also consider that you'll be locked in with that provider for two years, even if you find a better deal elsewhere. Early termination fees can amount to several hundred dollars. If you have to get out of a contract, check one of the websites that match up people who want out of a contract with those who are looking for a cell phone contract. See CellSwapper.com and CellTradeUSA.com.

- Consider parental controls for teenagers. Although some providers may charge a small monthly fee for the service, it allows you to limit the number of texts or data usage. It may also let you control the hours of the day (or night) when the phone will and won't work for your child.
- Use the same plan as friends and family. Many service providers offer free in-network calls or allow you to choose a small group of in-network friends and family that you can call for free. Therefore, if you get your most-called people on one plan you could save big.
- Don't use your cell phone for toll-free calls. Toll-free calls aren't free when you make them from a cell phone—because they still use your allotment of minutes—so make your 1-800 calls from a landline. After all, being put on hold is painful enough when you aren't paying for it by the minute.

- Don't Use 4-1-1. Dialing 4-1-1 from a cell phone could cost you \$1 or more. Instead, skip the charge and still get the information that you need by calling 1-800-GOOG-411, a free 4-1-1 service provided by Google.
- Bundle services. If you move your cell phone, cable/satellite, Internet, and home phone to one provider, you may get a bundled service discount. But be sure that you really need all the services offered in the bundle.
- Prepay if you only use your cell phone for occasional calls. A prepaid plan may cost you as little as \$20 for three months.
- Don't pay for extras. Examine your bill to see what services you're paying for above and beyond your voice, text, and data plans. You may save money by removing unnecessary extras such as phone insurance, GPS service, roadside assistance, or visual voicemail.
- See if you can get an employee discount. Many mobile providers give discounts to employees of companies they do business with.
- If you have a mobile phone, ditch your landline. If you feel you absolutely have to have a landline, sign up for a VoIP service that places calls over your Internet connection for much less than a traditional phone service. Vonage.com is a well-known company that offers service for less than \$25 a month or try [Phone Power](http://PhonePower.com) for \$5 a month. You could also buy a

magicJack PLUS™ VoIP Phone Adapter for \$80, then your cost is just \$30 a year.

- Make calls or texts for free. Viber.com, Skype.com, Skype.com/mobile, and Textfree (go to pinger.com/tfw) are free apps that allow you to call for free anyone else who has the app. You can also place video calls for free using Facebook Video Calling or a Google+ Hangout. Heywire.com and Textfree are free apps that allow you to send texts and pictures for free. Use Skype to make calls from your computer to a landline for about \$3 a month.

Cable TV

If you pay for cable or satellite television, then chances are pretty good that you can save money if you prioritize the services that you really want and compare providers.

- Take advantage of introductory rates. Many companies offer deep discounts for the first 6 or 12 months of service. At the end of the period, call to cancel the service and see if they will extend the discount for additional months. When you call the provider call the “cancellation line” rather than the regular service number, because they are usually authorized to offer discounts to keep you as a customer.
- Don’t pay for services you don’t need. It’s surprising how often people will sign up for more features than they actually need or use, just because it appears to be a good deal. Change to a smaller package of

channels if you don't watch the additional channels often. Do you have a receiver on a TV you seldom use? Even if the charge is only \$5 a month, that's \$60 a year you could save.

- **Bundle Services.** You will usually receive a discount if you subscribe to multiple services with the same provider. A common bundle includes telephone, cable, and Internet. But if you don't need all these services, don't get them. Also, consider if you have to sign a contract that assesses a penalty for canceling service before the term of the contract.
- **Consider alternative ways to access programming.** Many TV stations and networks stream programming on their websites. You can also watch TV on Internet sites such as [Netflix](#), [Hulu](#), [VUDU.com](#), [SideReel.com](#), and [BBC iPlayer](#). Read the [article](#) to learn how to set up Internet TV in your home.
- **Cancel premium channels and occasionally rent movies from [RedBox.com](#) or consider a low-cost movie club subscription, such as [Netflix](#), or [Amazon Instant Video](#).**
- **Purchase a set-top box such as [Roku](#) or [Apple TV](#) and stream content to your TV.**

Internet

You may not be able to get rid of your high-speed Internet connection, especially if you use it for a VoIP phone or for TV content as mentioned above.

However, here are some ideas to save money:

- You may be able to share a connection with a neighbor. Check with your provider to make sure you're not violating its terms of service.
- Consider whether you use the Internet at home enough to justify it. You may be able to use connections at work, at a local library, or in a free hotspot in your community.

For more ideas on saving money on utilities, see TalkAboutSavingMoney.com.

CHAPTER 3

CAR EXPENSES

Having a car means monthly expenses for gas, maintenance, repairs, insurance, and loan payments. This chapter provides ideas on how to reduce these expenses.

Car Payment

A car payment is the biggest car expense for many people, and for some people it is a large portion of their entire monthly budget. It's a vicious cycle: you buy a new car, as soon as you drive off the lot it depreciates 20% or more, and you make payments (and pay interest) for five years.

For example, if you buy a \$25,000 car at today's low rates of 3% over 5 years, the monthly payment would be \$450. And the sad thing is that after giving \$450 to the bank or credit union every month for 5 years, your \$25,000 car will probably be worth about \$8,000. At that point, you decide to buy a new car, trade in your old car at significant loss, and begin again the cycle of car payments.

A car is a poor thing to borrow money to buy. In comparison, when you buy a house, you have the hope that when the mortgage is paid, the home will be worth as much or more than you paid for it. But cars begin to depreciate the minute you buy them and eventually are worth nothing.

Cars can eat up a significant portion of wealth that you and your family could use on other things. The best way to reduce your car payment is not to have one. Wise people don't borrow to purchase a car. Instead, while they drive their current car, they put aside money each month toward the eventual purchase of their next car.

In fact, Dave Ramsey has a plan whereby you invest the money you would otherwise spend on car payments, and before long, the earnings on the investments are sufficient to provide free cars for the rest of your life.

Advice on buying a car:

- Never buy a brand new car. New cars typically lose 20% of their value as soon as you drive off the lot.
- Consider buying a car from a rental car company that has 30,000-40,000 miles. You should be able to buy it for less than from a car lot.
- Better yet, buy a car directly from an individual. Before buying the car, take it to a mechanic you can trust to have it checked out. Check out the reliability of the car on Consumer Reports, Cars.com, Edmunds, or Kelley Blue Book. Check the history of the specific car you intend to buy at CARFAX.com or AutoCheck.com.
- Consider the car's mileage per gallon, but don't pay a high price for a newer car until you do the math. Often, the high cost of the car is much more than your yearly savings in gas.

Gas

If you drive much, the cost of gasoline can be a major expense. So it pays to shop around for a good deal on gas. I'm surprised by the differences in prices from one station to the next. Consider the following:

- A chain of gas stations in our city gives a 10-cent-per-gallon discount if you use their charge card. This used to be the best deal for me. However, since gas prices have risen, I get a better discount using my American Express card, which gives me a 3% rebate for gasoline purchases (up to \$3,000 annually). Therefore, when the price of gas exceeds \$3.33 a gallon, I'm better off using the American Express card than the 10-cent discount. Just be sure you pay the entire balance of the card each month, or you'll spend more in interest charges than you saved by using the card.
- I just discovered another station that is usually 3-4 cents a gallon less. In addition, they have a customer loyalty program that takes off another 2-3 cents a gallon, depending on my monthly purchases. I can still use my American Express card and get another 3% off.
- A chain of supermarkets that also sells gasoline provides discounts of 10 cents up to \$1.00 per gallon, based on our monthly food purchases.
- GasBuddy.com is a website and a mobile app that lets you search for gas prices by city, state, or zip

code, so you can find the best deal in your city or when you're traveling.

Maintenance and Repairs

- Regular maintenance can save you hundreds or thousands of dollars. For example, spending \$175 to get your engine cooling system serviced as recommended by your car manufacturer could save a \$5,000 repair bill if your engine overheats and causes severe damage. Check your owner's manual for recommendations. (If you can't find your manual, look for a PDF version on your car company's website.) Surveys show that only 41% of car owners said they carefully follow the manufacturer's service schedule. Be a proud member of that minority.
- Be sure to follow maintenance recommendations when you hit mileage marks (15,000 miles, 30,000 miles, etc.). For example, a 60,000-mile checkup may cost \$300 to \$600, including replacement of the timing belt. But that's a bargain compared to the \$3,000 you could spend for engine damage caused by letting the belt snap.
- Skip unnecessary oil changes. Companies that provide oil changes may tell you to change the oil every 3,000 miles, but follow the advice in your owner's manual. Many newer cars can safely go 5,000 or even 10,000 miles between oil changes. If you have a warranty, be sure to follow its guidelines to maintain your coverage.

- Use an honest repair shop. Check with neighbors and friends to find a trustworthy, reasonably-priced mechanic. Many legitimate mechanics and dealers are eager to overcharge you. Dealers typically charge 30% more than independent mechanics. There are also many unscrupulous repair shops that may identify phantom problems and charge you for repairs they don't make. Others will use after-market parts and charge you for name brand parts. Always ask to see the damaged parts after repairs are made. Honest mechanics will be happy to show you the work they do. Websites like AAA.com and DriverSide.com can provide recommendations.
- Compare estimates. When faced with an expensive repair, shop around. A comparison of quotes for the same 60,000-mile checkup in Los Angeles ranged from \$338 to \$590.
- Ask your mechanic about the possibility of using remanufactured or refurbished parts.
- Find your own parts. Dealerships and mechanics make additional profit by marking up the price of parts they use in repairs. You may be able to save by purchasing your own parts on websites or in discount parts stores, and then taking the parts to the mechanic to install. Sometimes, you can find good used parts at a junk yard for a fraction of the cost of a new part.
- Do your own work. Some estimates show you can save \$600 a year by doing the following: changing your own oil, replacing your brake pads, flushing

your cooling system, replacing your air filter, replacing your PCV valve and fuel filter, and testing and recharging your air conditioner.

- Keep your car clean. Routine cleaning of the exterior and undercarriage will reduce the build-up of salt, dirt, and debris that will corrode parts quicker and require more costly repairs. Also, dirt and grit gets into joints and helps cause failures.
- Keep tires properly inflated to add life to your tires and improve the gas mileage of your vehicle.
- Review your car warranty when you need repairs to see if the costs are covered. New cars include a warranty from the manufacturer and some used cars also come with warranties. Before the warranty expires, have the car inspected and have any qualifying repairs performed.

Car Insurance

Below are steps you can take to lower your insurance rates. Many of these same ideas can save money on your homeowner's insurance as well.

- Drive carefully and responsibly. Even one speeding ticket could raise your premium. Many insurers will lower your rate if you haven't had an accident or ticket in the past 3-5 years.
- Raise your deductible. Raising the deductible on your policy from \$200 to \$500 could reduce the cost of collision and comprehensive coverage by up to 30%. Raising it to \$1,000 could lower your premium by

40% or more. Just be sure you have enough money put aside to cover the higher deductible amount in case you are in an accident.

- Take advantage of discounts. Regularly ask your insurance agent to review your policy to see what discounts you may qualify for. A good student discount for teenage drivers with a B average or higher could save 15%. Some providers offer a 5-10% discount if you take a defensive driving course.
- Look for group discounts. You may qualify for a discount through your employer, credit union, professional association, auto club, or even a wholesale shopping club such as Costco.
- Join a car pool or to take the bus to work and you may qualify for a low-mileage discount.
- Consider the cost of insurance before buying a car or truck. Premiums vary significantly between makes and models. Rates may be higher for models and colors that tend to be a target for thieves or radar guns or that are expensive for repairs.
- Shop insurance companies every few years and when your situation changes. A given insurer may be less expensive when you have teenage drivers, but another may be less once that child is married. Get at least three quotes before you buy a policy. You can shop for quotes at websites such as insure.com and esurance.com, or by working with an independent insurance agent. Your state insurance department can tell you if there have been complaints against insurance companies that operate in your state.

- Drop unnecessary coverage. Comprehensive or collision coverage for older cars may not make financial sense. Consider the annual cost to insure older vehicles compared to their potential resale value. It may be that it costs more to insure an older vehicle than it costs to replace one. On the other hand, if you have little savings, insurance may be a relatively inexpensive way to replace an asset worth a few thousand dollars. Also consider the annual cost of coverage for towing against the likelihood that you will need it.
- Get a multi-policy discount by getting car and homeowners insurance from the same provider.
- Clean up your credit report. Insurance companies use your score, in part, to determine your premium. Statistics show a correlation between bad credit and a propensity to receive more tickets and be involved in accidents. People who are extremely poor in their payment habits could pay 30-40% more. Manage your money well and you are more likely to save on car insurance premiums.
- Pay your premium every six months. Many insurance companies tack on service fees if you pay monthly. For more ideas on saving money on car expenses, see TalkAboutSavingMoney.com.

CHAPTER 4

MORTGAGE

Your home mortgage is likely the single largest monthly expense you have. But most people sign the mortgage without a whole lot of understanding or comparison shopping. Then once it's signed, they feel consigned to paying it off over the course of 30 or so years without another thought.

Wake up! Since it's your single largest expense, you need to be thinking about it and figuring out ways to manage it and perhaps reduce it or pay it off sooner. This chapter provides several ideas on how to reduce your monthly expense and/or get it paid off as soon as possible.

Here are some quick ideas:

- Make 26 weekly payments and you end up paying one extra monthly payment a year.
- Pay an extra half payment in the two months that you get an extra biweekly check.
- Pay \$50 or \$100 dollars more each month.
- Put your whole tax return check towards the principal.
- Refinance at a lower interest rate. Many people today have a mortgage rate of 6% or 7%. If you refinanced at 3.5% (a rate easy to find today), your monthly payment would drop significantly. The

example below assumes a 30-year loan on \$200,000. In this example, you would save \$433 a month (\$1,331 – \$898), which amounts to \$155,700 over the life of the loan (\$479,010 – \$323,310). That’s huge!

| | Current: 30-year loan on \$200,000 | Refinance: 30-year loan on \$200,000 |
|---|--|--|
| Example interest rate | 7% | 3.5% |
| Monthly payment* | \$1,331 | \$898 |
| Total principal and interest payments over life of loan | \$479,010 | \$323,310 |

* The monthly payment above shows the principal and interest portion only. Taxes and insurance vary and would need to be added to the monthly payment. The amount for taxes and insurance would not decrease because of a shorter term or lower interest rate.

- Reduce the term of the loan. Not only will you pay it off faster and *greatly reduce* the total amount of interest you’ll pay over the life of the loan, but today you’ll probably *also* get a lower interest rate on a shorter-term loan. That’s a double benefit! Continuing with the example we gave above, let’s compare the effect of reducing the 30-year term to

15 years. Today, 15-year loans have a lower rate than 30-year loans. The net effect is that the monthly payment increases only \$38 (\$1,369 – \$1,331), but you pay off the loan 15 years sooner, saving a total of \$232,562 (\$479,010 – \$246,448) over the life of the loan!

| | Current: 30-year loan on \$200,000 | Refinance Option 1: 30-year loan on \$200,000 | Refinance Option 2: 15-year loan on \$200,000 |
|---|---|--|--|
| Example interest rate | 7% | 3.5% | 2.875% |
| Monthly payment* | \$1,331 | \$898 | \$1,369 |
| Total payments over life of loan | \$479,010 | \$323,310 | \$246,448 |

- See if you can eliminate the monthly mortgage insurance premium. Look at your loan papers to see if there is an insurance premium included in your monthly payment. If so, you can usually have that premium discontinued once the amount remaining on your loan falls below 80% of the current value of your house. So, if you've been paying the mortgage for a while, or if the value of your house has

increased, see if you're below 80%. If so, contact your mortgage company to remove that premium or see if you can even get a refund of a portion of the one-time mortgage insurance premium you may have paid when you began the mortgage.

Call a mortgage broker or your credit union today to see if you can improve your situation. You may be able to save several hundred dollars a month and perhaps hundreds of thousands of dollars over the life of the loan! Have ready the following information from your latest mortgage statement:

- Total amount owing
- Interest rate
- Monthly payment (the portion that covers the principal and interest)
- Date you began the mortgage
- Approximate idea of the current value of your home

Some people are "upside-down" on their mortgage. That means that they owe more for the house than it is currently worth on the open market. If that is the case with you, you may feel stuck. You may feel that you can't sell or move, or that you can't refinance. But there are several government programs now that even if you are upside down, there are options to refinance at low rates.

For more ideas on saving money on your mortgage, as well as on other home expenses and repairs, see TalkAboutSavingMoney.com.

CHAPTER 5

HEALTH CARE

This chapter provides ideas on how to bargain-shop for a health insurance plan; manage your doctor, dentist, and hospital; and how to get the best prices on prescriptions, eye glasses, and contact lenses. In this economy, you need to take control over your family's medical bills.

Health Insurance Plans

- When selecting a health insurance plan, don't just choose the one with the lowest monthly premium, but compare the total of premiums and out-of-pocket costs. Jot down your family's average number of doctor visits per year, routine prescriptions, dental cleanings, and other services. Compare what you'd pay over an entire year for these items on each plan, including monthly premiums, deductibles, co-insurance, and out-of-pocket costs. Consider the effect of different levels of deductibles. Some families pay significantly less with a plan with a high deductible if they are healthy and don't usually visit the doctor too often.
- Reconsider your health plan each year, because benefits can change significantly every year. Your family's health needs may also change.
- Consider a discount club instead of dental insurance. Look into plans like AmeriPlanUSA.com,

Careington.com, or [eHealthInsurance's dental discount cards](http://eHealthInsurance.com). Providers in these plans agree to give members up to a 60% discount. You pay a monthly membership fee (usually \$12 to \$30) and you will probably need to pay cash at the time of service. Check each plan's coverage to see which providers participate in your area.

- Look for group discounts. Group insurance may be available through your employer, credit union, or professional association. There may be groups that you can join to get the insurance benefits. For example, you don't need to be a farmer to join your state's farm bureau. Simply by paying an annual membership fee (usually less than \$50) you are eligible for all sorts of benefits, including discounted group health insurance in some states.
- Keep a safety net when you switch jobs and have to wait for your new health insurance to kick in. Ask whether you can extend your policy from your old employer. (The COBRA law requires some, but not all, companies to allow this.) If it is not possible to keep your old plan, buy a short-term family insurance plan so you're never without coverage. These policies are relatively inexpensive and can usually be activated within a day or two. Compare plans online at [eHealthInsurance](http://eHealthInsurance.com).
- Look for special services. Your health plan may offer valuable services you don't hear much about, such as on-call nurses who can help with minor problems. Some plans offer discounts on acupuncture, gym

memberships, massage treatments, and weight-loss programs. Many health plans provide discounts on preventive care and helpful newsletters. Many employers offer incentives for participating in wellness programs.

- Take advantage of a Flexible Spending Account (FSA). FSAs are tax-sheltered accounts that you can use to pay for out-of-pocket medical costs such as co-pays for prescriptions and doctor visits. To participate in an FSA, estimate your total amount of out-of-pocket medical expenses for the year and authorize your employer to deduct that amount pre-tax from your paychecks over the course of the year. You can then use that tax-free money for your out-of-pocket medical expenses. FSAs are a "use-it-or-lose-it" plan and the money must be used within the year (or until March of the following year). FSAs can also be used for things like eyeglasses, contact lenses and solutions, massage therapy, hearing aids, bandages, and stop-smoking programs.

Doctors, Dentists, and Hospitals

- When making an appointment, always double-check that the doctor or hospital is still in your insurance plan's network. Always ask to see in-network providers when you go to the hospital or an urgent-care center. Just because a facility participates in your plan doesn't mean that every professional (such as a radiologist or anesthesiologist) does. If you need to see a doctor when you're out of town, call your

insurance provider to find out the best way to get services that will be covered.

- Ask about alternate facilities. Doctors often work at outpatient surgery centers as well as hospitals, and the charges for these can vary widely by location.
- If your plan requires you to get a referral to a specialist, take your insurance plan's preferred-provider list to the appointment with your primary-care doctor so he can pick the best specialist who participates in your plan.
- Don't skimp on well-child checkups or regular adult physicals just to save money. These exams are usually inexpensive or are fully covered by insurance, and they help your doctor detect health problems early. Routine vaccines will also lower your child's risk of illness and your risk of facing high medical bills.
- Check your bills carefully. Up to 50% of your doctor or hospital bills may contain mistakes that end up costing you money. An incorrect billing code could cause your insurance to pay less than expected or even reject your claim. Other common errors include mistakes in account numbers, claims with incomplete information, and claims sent to the wrong address. Read your benefits booklet carefully to make sure your plan is paying all it should. If you catch an error, send a certified letter to your insurer and follow up in a few weeks to make sure the mistake is corrected.

- If your insurance company denies a claim you think you deserve, don't just give up. Appeal the decision. If you're denied again, contact your state insurance commission. That agency can mediate a dispute between you and your insurance company.
- If you need extensive dental services, ask your dentist about doing part of the work in December and finishing it in January. Depending on your dental-plan benefits, you may get better coverage by splitting the cost between the two plan years. It may also help to use more Flexible Spending Account (FSA) funds.
- If you are short on cash or have a high insurance deductible, don't be embarrassed to tell your doctor or dentist. He may be able to suggest less-costly treatment options or even agree to lower fees. He may also give a discount for paying in cash at the time of service. In fact, a poll found that three out of five people who negotiated with their doctors received discounts.
- Never use the emergency room as a substitute for your regular doctor. You'll pay much more, and probably wait longer to be seen.

Prescriptions

- Share with your doctor a copy of your insurance company's list of covered prescription medications (a "formulary"). Many insurers separate drugs into several pricing "tiers," so some medicines cost you more than others. If your doctor knows what's on

your insurer's list, he can select the best medication for you at the lowest price. Ask your doctor to write the prescription for a generic version of the drug. In nearly every case, generics are just as good as name brands and are considerably less expensive.

- Many high-dose prescription pills require exactly the same co-pay as their lower-dose counterparts. Ask your doctor whether you can safely split a higher-dosage pill in half, and cut your costs, too. (Note that some pills, such as controlled-release medications, cannot be safely split.)
- Your doctor's cupboards are full of free drug samples, courtesy of the pharmaceutical industry. When your doctor prescribes a new medication, ask if he has any free samples you can use. If you're trying a new antibiotic or rash cream, your physician may even have enough samples to cover your course of treatment. Also, drug companies sometimes offer coupons or free samples on their websites.
- Compare costs for your prescription at different pharmacies. Sometimes, your cost may be cheaper at a warehouse club like Costco or Sam's Club even without using your insurance. If your plan has a mail-order pharmacy, you might be able to get 90-day supply of prescriptions mailed to you for a lower co-pay.

Eye Glasses and Contact Lenses

- Usually, eye care insurance coverage is worth it if you wear contacts or if you update your glasses every

year or two. Coverage also makes sense if your children need corrective eyewear, since children usually need an update every year. But run the numbers to be sure—see what you'd pay with and without insurance. If you don't work for a company that offers insurance, check out the options at [eHealthInsurance](#).

- Understand your insurance coverage limits. Coverage usually includes an annual eye exam and a set amount toward the purchase of contacts or glasses.
- Make sure that the retailer you buy from is actually in your insurance network, and not that it merely accepts the insurance.
 - Doctors' offices. Optometrists and ophthalmologists tend to sell more expensive eyewear, but offer more personalized service.
 - Specialty retailers. Stores that offer great deals (such as buy one, get one free) often press you for upgrades that push the price toward that of doctors' offices. Plus, you may not qualify for the deal if you have insurance.
 - Discount stores. Stores such as Costco have good eyewear at low prices.
 - Online retailers. You can get great prices on contacts from online providers, such as [1800CONTACTS.com](#), [ContactsAmerica.com](#), and [AC Lens](#), but be sure you know the quality of the lenses you are getting.

- Should you buy extras? Add-ons can really drive up the price of glasses.
 - Photochromic lenses (about \$90) that darken in the sun and lighten indoors only make sense if you constantly move from indoors to out.
 - High-index lenses (\$30-\$300) that reduce the thickness and weight of glasses are primarily a cosmetic benefit.
 - Glare-reducing, anti-reflective lenses (\$50-\$115) are helpful if you wear glasses all day or drive a lot at night.
 - Good-quality frames (\$100-\$200) are all you need functionally. Designer frames that cost more are mostly because of the name.
- If you need glasses with magnifying power for reading, the \$10 drugstore glasses will do just fine.

For more ideas on saving money on health care, see TalkAboutSavingMoney.com.

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